



OUTGOING FACSIMILE

DATE: 21 October 2011

TO: Ms. Mary Schapiro Chairman Securities and Exchange Commission (SEC) 100 F Street NE Washington, D.C. 20549	FROM:  David Biggs Secretary, Security Council Committee established pursuant to resolution 1533 (2004) concerning the DRC
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Please find attached the copy of a letter (Ref.: S/AC.43/2011/GE/OC.86) from the Coordinator of the Group of Experts extended pursuant to Security Council resolution 1952 (2010) concerning the Democratic Republic of the Congo.

Kindly acknowledge receipt of this fax.

Thank you and best regards.



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REFERENCE: S/AC.43/2011/GE/OC.86

21 October 2011

Excellency,

I have the honour to write to you in my capacity as Coordinator of the Group of Experts on the Democratic Republic of Congo (DRC) which was extended pursuant to Security Council resolution 1952 (2010) of 29 November 2010. A copy of the resolution, together with a copy of the letters of appointment of the Group by the Secretary-General (S/2011/77 and S/2011/219), are attached for ease of reference.

The UN Group of Experts on the Democratic Republic of Congo (DRC) understands that the SEC will shortly be publishing regulations flowing from Section 1502 of the Wall Street Financial Reform and Protection (Dodd Frank) Act, and wishes respectfully to submit the following comments.

The Group has spent this year investigating the activities of armed groups in the DRC and their sources of funding. The Group has also evaluated the impact of due diligence guidelines for individuals and entities purchasing, processing and consuming minerals from eastern DRC, which it presented to the Security Council in 2010. The Council, in resolution 1952 of 29 November 2010, had called on companies to exercise these guidelines or others consistent with them. The Group's latest report has recently been submitted to the Security Council and should be published in a month or so.

However, because publication of the SEC's regulations is apparently imminent, it seems appropriate to send you these comments now.

The first point is that **requiring companies to exercise due diligence is effective**. The Group's investigations in the DRC have shown that private sector purchasing power and due diligence implementation is reducing conflict financing, promoting good governance in the DRC mining sector, and preserving access to international markets for impoverished artisanal miners. It is worth recalling here that artisanal miners are among the prime sources of recruitment for armed groups in the DRC.

The second point is that since the signing into law of the Dodd Frank act, a **higher proportion than before of tin, tungsten and tantalum mined in the DRC is not funding conflict**. This is because:

- Production of these minerals has shifted to an extent to (largely) non-conflict areas, such as North Katanga and Maniema.

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Ms. Mary Schapiro
Chairman
Securities and Exchange Commission (SEC)
100 F Street NE
Washington, D.C. 20549

cc: United States Mission to the United Nations, New York

S/AC.43/2011/GE/OC.86

- The armed group *Front Démocratique pour le Liberation du Rwanda* (FDLR) has less control over tin, tungsten and tantalum mines in the DRC's Kivu provinces than it used to.
- Tin, tungsten and tantalum production levels have fallen in the Kivus, because companies aspiring to Dodd Frank compliance are not purchasing from there. So while criminal networks within the Congolese armed forces (FARDC) continue to infiltrate mineral supply chains in the Kivus, the overall amount of profit they receive from this has fallen.

As many other submissions have attested to, however, there are important challenges regarding Dodd Frank. The first is that because companies do not want to disclose the use of 'DRC conflict minerals' in their products – especially after the recent legislation in the State of California – they are only prepared to use materials which they are sure will not require them to make a disclosure. And because of the involvement of FARDC criminal networks in the Kivus mineral trade, this has led purchasers to boycott all Kivu mineral products.

The effect of this in the Kivus, unsurprisingly, has been increased economic hardship, and more smuggling and general criminalisation of the minerals trade. It has also had a severely negative impact on provincial government revenues, weakening governance capacity.

Scrapping or weakening Dodd Frank is not the solution to this. The solution is for SEC regulations to incorporate the UN Group of Experts and OECD due diligence guidelines' concept of **mitigation**. Mitigation allows companies purchasing from mines where FARDC criminal networks are in operation to continue purchasing provided they have put in place mitigation strategies and can prove they are working.

If the SEC makes this clear in its regulations, mineral supply chain tagging can be implemented in the Kivus, as it already has been in Katanga and Rwanda. This would enable legitimate, traceable trade to flow from the Kivus, which would reduce the 'collateral damage' of the current *de facto* embargo to civilian populations, and increase revenues to legitimate state agencies. And, as we have seen in Katanga, governance relating to minerals would be likely to improve too.

Another major challenge, as the Group's report will show, is that conflict financing from gold in the Kivus is continuing. The FDLR, other armed groups and FARDC criminal networks continue to derive considerable profit from the gold trade, increasing the risk of worsening conflict. This is happening, in part, because due diligence implementation in the gold sector has barely begun, and 'conflict gold' continues to have little difficulty reaching international markets.

Again, the solution is not to weaken or abandon Dodd Frank. The solution is to continue efforts to implement due diligence in the gold sector. Progress has been made with the major industrial gold producers, but important international markets for gold still pay too little attention to where their product is coming from.

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S/AC.43/2011/GE/OC.86

An additional challenge is that criminal networks in the FARDC in eastern DRC are powerful and hard to dislodge. And thus far, it seems, the Government of the DRC has been unable to take them on.

Due diligence is not going to solve this problem, which, first and foremost, requires action by the DRC authorities. However, company due diligence will shed more light on the activities of these networks, thus increasing pressure on the government to take action.

In conclusion, Dodd Frank has had a massive and welcome impact so far, requiring chain participants all over the world to take due diligence and conflict financing seriously. This should not and must not be thrown away or weakened.

What is required now is a correct calibration of the SEC regulations concerning disclosure, so that trade can keep flowing from the Kivus, but in ways that lead to improvements in the situation, not a deterioration. The SEC should use as its reference the UN/OECD due diligence guidelines, as previously urged by ICGLR member states, the OECD, companies and NGOs.

We must keep up the effort to have gold supply chains implement due diligence.

We must keep up the pressure on the DRC authorities to prosecute and punish FARDC criminal networks involved in the minerals trade.

As stated at the outset, Dodd Frank and due diligence is working. Retreat now will confuse all players in the market, unfairly and unwisely diminishing the efforts of those who are implementing due diligence, and playing into the hands of the cynical and those with other agendas who have thus far refused to implement due diligence in the hope that it will simply go away.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'FR' followed by a stylized flourish.

Fred Roberts
Coordinator
Group of Experts on the DRC
re-established pursuant to resolution 1952 (2010)



Security Council

Distr.: General
29 November 2010

Resolution 1952 (2010)

**Adopted by the Security Council at its 6432nd meeting,
on 29 November 2010**

The Security Council,

Recalling its previous resolutions, in particular resolution 1807 (2008), 1857 (2008) and 1896 (2009), and the statements of its President concerning the Democratic Republic of the Congo,

Reaffirming its commitment to the sovereignty, territorial integrity and political independence of the Democratic Republic of the Congo as well as all States in the region,

Taking note of the interim and final reports (S/2010/252 and S/2010/596) of the Group of Experts on the Democratic Republic of the Congo ("the Group of Experts") established pursuant to resolution 1771 (2007) and extended pursuant to resolutions 1807 (2008), 1857 (2008) and 1896 (2009) and of their recommendations, and *welcoming* the collaboration between the Group of Experts and the Government of the Democratic Republic of the Congo, as well as other Governments in the region and other international forums,

Reiterating its serious concern regarding the presence of armed groups and militias in the eastern part of the Democratic Republic of the Congo, including the provinces of North and South Kivu and Orientale Province, which perpetuate a climate of insecurity in the whole region,

Demanding that all armed groups, in particular the Forces démocratiques de libération du Rwanda (FDLR) and the Lord's Resistance Army (LRA), immediately lay down their arms and cease their attacks against the civilian population, *demanding also* that all the parties to the 23 March 2009 Agreements implement their commitments effectively and in good faith,

Reiterating its concern about the support received by illegal armed groups operating in the eastern part of the Democratic Republic of the Congo from regional and international networks,

Condemning the continuing illicit flow of weapons within and into the Democratic Republic of the Congo in violation of resolutions 1533 (2004), 1807 (2008), 1857 (2008) and 1896 (2009), *declaring* its determination to continue to monitor closely the implementation of the arms embargo and other measures set out



by its resolutions concerning the Democratic Republic of the Congo, and *stressing* the obligation of all States to abide by the notification requirements set out in paragraph 5 of resolution 1807 (2008),

Recalling the linkage between the illegal exploitation of natural resources, illicit trade in such resources and the proliferation and trafficking of arms as one of the major factors fuelling and exacerbating conflicts in the Great Lakes region of Africa,

Noting with great concern the persistence of human rights and humanitarian law violations against civilians in the eastern part of the Democratic Republic of the Congo, including the killing and displacement of significant numbers of civilians, the recruitment and use of child soldiers, and widespread sexual violence, *stressing* that the perpetrators must be brought to justice, *reiterating* its firm condemnation of all violations of human rights and international humanitarian law in the country, and *recalling* all its relevant resolutions on women and peace and security, on children and armed conflict, and on the protection of civilians in armed conflicts,

Stressing the primary responsibility of the Government of the Democratic Republic of the Congo for ensuring security in its territory and protecting its civilians with respect for the rule of law, human rights and international humanitarian law,

Welcoming the ongoing efforts of the Democratic Republic of the Congo and the countries of the Great Lakes region to jointly promote peace and stability in the region, in particular in the context of the International Conference on the Great Lakes Region, and *reiterating* the importance of the Government of the Democratic Republic of the Congo and all governments, particularly those in the region, taking effective steps to ensure that there is no support, in and from their territories, for the armed groups in the eastern part of the Democratic Republic of the Congo,

Supporting the commitment of the Government of the Democratic Republic of the Congo to rid the trade in natural resources of criminal networks and *welcoming* the enhanced collaboration between the Government of the Democratic Republic of the Congo and the Group of Experts in this area,

Determining that the situation in the Democratic Republic of the Congo continues to constitute a threat to international peace and security in the region,

Acting under Chapter VII of the Charter of the United Nations,

1. *Decides* to renew until 30 November 2011 the measures on arms imposed by paragraph 1 of resolution 1807 (2008) and *reaffirms* the provisions of paragraphs 2, 3 and 5 of that resolution;

2. *Decides* to renew, for the period specified in paragraph 1 above, the measures on transport imposed by paragraphs 6 and 8 of resolution 1807 (2008) and *reaffirms* the provisions of paragraph 7 of that resolution;

3. *Decides* to renew, for the period specified in paragraph 1 above, the financial and travel measures imposed by paragraphs 9 and 11 of resolution 1807 (2008) and *reaffirms* the provisions of paragraphs 10 and 12 of that resolution regarding the individuals and entities referred to in paragraph 4 of resolution 1857 (2008);

4. *Calls upon* all States to implement fully the measures specified in this resolution, and to cooperate fully with the Committee in carrying out its mandate;

5. *Requests* the Secretary-General to extend, for a period expiring on 30 November 2011, the Group of Experts established pursuant to resolution 1533 (2004) and renewed by subsequent resolutions, with the addition of a sixth expert on natural resources issues, and *requests* the Group of Experts to fulfil its mandate as set out in paragraph 18 of resolution 1807 (2008) and expanded by paragraphs 9 and 10 of resolution 1857 (2008), and to report to the Council in writing, through the Committee, by 18 May 2011 and again before 17 October 2011;

6. *Requests* the Group of Experts to focus its activities in areas affected by the presence of illegal armed groups, including North and South Kivu and Orientale Province, as well as on regional and international networks providing support to illegal armed groups, criminal networks and perpetrators of serious violations of international humanitarian law and human rights abuses, including those within the national armed forces, operating in the eastern part of the Democratic Republic of the Congo, *requests further* that the Group of Experts evaluate the impact of due diligence guidelines referred to in paragraph 7 of this resolution and continue its collaboration with other forums;

7. *Supports taking forward* the Group of Experts' recommendations on guidelines for due diligence for importers, processing industries and consumers of Congolese mineral products, as set out in paragraphs 356 to 369 in part IX of the final report (S/2010/596), to mitigate the risk of further exacerbating the conflict in the eastern part of the Democratic Republic of the Congo by providing direct or indirect support to:

- illegal armed groups, in the eastern part of the Democratic Republic of the Congo,
- those found to violate the asset freeze and travel ban on sanctioned individuals and entities, as renewed by paragraph 3 above,
- criminal networks and perpetrators of serious violations of international humanitarian law and human rights abuses, including those within the national armed forces.

8. *Calls upon* all States to take appropriate steps to raise awareness of the due diligence guidelines referred to above, and to urge importers, processing industries and consumers of Congolese mineral products to exercise due diligence by applying the aforementioned guidelines, or equivalent guidelines, containing the following steps as described in the final report (S/2010/596): strengthening company management systems, identifying and assessing supply chain risks, designing and implementing strategies to respond to identified risks, conducting independent audits, and publicly disclosing supply chain due diligence and findings;

9. *Decides* that the Committee, in determining whether to designate an individual or entity supporting the illegal armed groups in the eastern part of the Democratic Republic of the Congo through illicit trade of natural resources, pursuant to sub paragraph (g) of paragraph 4 of resolution 1857 (2008) should consider, amongst other things, whether the individual or entity has exercised due diligence consistent with the steps set out in paragraph 8;

10. *Calls upon* all States, especially those in the region, to take effective steps to ensure that there is no support, in and from their territories, for the illegal armed groups in the eastern part of the Democratic Republic of the Congo, welcoming the positive international developments in regard to addressing the risks posed by armed group leaders in the diasporas, and *calls upon* all States to take action, where appropriate, against leaders of the FDLR and other illegal armed groups residing in their countries;

11. *Encourages* the Government of the Democratic Republic of the Congo to continue to take appropriate measures to address the threat of criminal networks within the Armed Forces of the Democratic Republic of the Congo (FARDC) involved in illegal economic activities, such as mining, undermining their capacity to protect civilians in the eastern part of the country;

12. *Calls upon* the Congolese authorities to continue their fight against impunity, especially against all perpetrators of human rights and international humanitarian law violations, including sexual violence, including those committed by any illegal armed groups or elements of the FARDC;

13. *Encourages* the United Nations Organization Stabilization Mission in the Democratic Republic of the Congo (MONUSCO) to continue to share all relevant information with the Group of Experts, especially information on the recruitment and use of children, and on the targeting of women and children in situations of armed conflicts;

14. *Reiterates* its recommendation to the Government of the Democratic Republic of the Congo to promote stockpile security, accountability and management of arms and ammunition as an urgent priority, with the assistance of international partners as necessary, and to implement a national weapons marking program in line with the standards established by the Nairobi Protocol and the Regional Centre on Small Arms;

15. *Urges* the international community to consider providing increased technical or other assistance to reinforce the Congolese justice institutions and support to strengthen the institutional capacity of the mining, law enforcement and border control agencies and institutions of the Democratic Republic of the Congo;

16. *Urges* MONUSCO to continue supporting the efforts of the Congolese authorities to strengthen their justice system, to consolidate the trading counters in North and South Kivu and to monitor the measures imposed by paragraph 1 above, as mandated in the sub paragraphs (o), (r) and (t) of paragraph 12 of resolution 1925 (2010);

17. *Encourages* enhanced cooperation between all States, particularly those in the region, MONUSCO and the Group of Experts and *encourages further* that all parties and all States ensure cooperation with the Group of Experts by individuals and entities within their jurisdiction or under their control;

18. *Reiterates* its demand, expressed in paragraph 21 of resolution 1807 (2008) and reaffirmed in paragraph 14 of resolution 1857 (2008) and paragraph 13 of resolution 1896 (2009), that all parties and all States, particularly those in the region, cooperate fully with the work of the Group of Experts, and that they ensure the safety of its members, and unhindered and immediate access, in particular to

persons, documents and sites the Group of Experts deems relevant to the execution of its mandate;

19. *Recommends* that all States, particularly those in the region, regularly publish full import and export statistics for natural resources including gold, cassiterite, coltan, wolframite, timber, and charcoal and enhance information sharing and joint action at the regional level to investigate and combat regional criminal networks and armed groups involved in the illegal exploitation of natural resources;

20. *Calls upon* all States, particularly those in the region and those in which individuals and entities designated pursuant to paragraph 3 of this resolution are based, to regularly report to the Committee on the actions they have taken to implement the measures imposed by paragraphs 1, 2, and 3 and recommended in paragraph 8 above;

21. *Encourages* all States to submit to the Committee for inclusion on its list of designees, individuals or entities that meet the criteria set out in paragraph 4 of resolution 1857 (2008), as well as any entities owned or controlled, directly or indirectly, by the submitted individuals or entities or individuals or entities acting on behalf of or at the direction of the submitted entities;

22. *Decides* that, when appropriate and no later than 30 November 2011, it shall review the measures set forth in this resolution, with a view to adjusting them, as appropriate, in light of the security situation in the Democratic Republic of the Congo, in particular progress in security sector reform including the integration of the armed forces and the reform of the national police, and in disarming, demobilizing, repatriating, resettling and reintegrating, as appropriate, Congolese and foreign armed groups;

23. *Decides* to remain actively seized of the matter.

**Security Council**

Distr.: General
17 February 2011

Original: English

**Letter dated 17 February 2011 from the Secretary-General
addressed to the President of the Security Council**

I have the honour to refer to Security Council resolution 1952 (2010) concerning the Democratic Republic of the Congo, adopted on 29 November 2010, in which the Council requested me to extend, for a period expiring on 30 November 2011, the Group of Experts established pursuant to resolution 1533 (2004) and renewed by subsequent resolutions.

Accordingly, I wish to inform you that, after consulting with the Security Council Committee established pursuant to resolution 1533 (2004) concerning the Democratic Republic of the Congo, I have appointed the following experts:

Mr. Nelson Alusala, Kenya (arms)

Mr. Ruben de Koning, Netherlands (natural resources)

Mr. Steven Hege, United States of America (armed groups)

Ms. Marie Plamadiala, Republic of Moldova (customs and logistics)

Mr. Fred Roberts, United Kingdom of Great Britain and Northern Ireland (regional issues)

I have also selected Mr. Roberts to serve as Coordinator of the Group of Experts.

I should be grateful if you would bring this information to the attention of the members of the Security Council.

(Signed) BAN Ki-moon





Security Council

Distr.: General
1 April 2011

Original: English

Letter dated 1 April 2011 from the Secretary-General addressed to the President of the Security Council

I have the honour to refer to Security Council resolution 1952 (2010) concerning the Democratic Republic of the Congo, adopted on 29 November 2010, in which the Council requested me to extend, until 30 November 2011, the mandate of the Group of Experts established pursuant to resolution 1533 (2004) and renewed by subsequent resolutions.

Accordingly, I wish to inform you that, after consulting with the Security Council Committee established pursuant to resolution 1533 (2004) concerning the Democratic Republic of the Congo, I have appointed the following sixth expert to serve on the Group of Experts:

Mr. Steven Spittaels, Belgium (finance)

I should be grateful if you would bring this information to the attention of the members of the Security Council.

(Signed) Ban Ki-moon

